

Before the
Federal Communications Commission
Washington, D.C. 20554

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MAY 13 2002

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| In the Matter of |) | FEDERAL COMMUNICATIONS COMMISSION OFFICE OF THE SECRETARY |
| |) | |
| Federal-State Joint Board on |) | CC Docket No. 96-45 |
| Universal Service |) | |
| |) | |
| 1998 Biennial Regulatory Review - |) | CC Docket No. 98-171 |
| Streamlined Contributor Reporting |) | |
| Requirements Associated with Administration |) | |
| of Telecommunications Relay Service, North |) | |
| American Numbering Plan, Local Number |) | |
| Portability, and Universal Service Support |) | |
| Mechanisms |) | |
| |) | |
| Telecommunications Services for Individuals |) | CC Docket No. 90-571 |
| with Hearing and Speech Disabilities, and |) | |
| the Americans with Disabilities Act of 1990 |) | |
| |) | |
| Administration of the North American |) | CC Docket No. 92-237 |
| Numbering Plan and North American |) | NSD File No. L-00-72 |
| Numbering Plan Cost Recovery Contribution |) | |
| Factor and Fund Size |) | |
| |) | |
| Number Resource Optimization |) | CC Docket No. 99-200 |
| |) | |
| Telephone Number Portability |) | CC Docket No. 95-116 |
| |) | |
| Truth-in-Billing and Billing Format |) | CC Docket No. 98-170 |

**REPLY COMMENTS OF CONSUMERS UNION, TEXAS OFFICE OF PUBLIC
UTILITY COUNSEL, CONSUMER FEDERATION OF AMERICA,
APPALACHIAN PEOPLE'S ACTION COALITION, CENTER FOR DIGITAL
DEMOCRACY, EDMONT NEIGHBORHOOD COALITION AND
MIGRANT LEGAL ACTION PROGRAM**

Dated: May 13, 2002

SUMMARY

In initial comments, Consumers Union, Texas Office of Public Utility Counsel, Consumer Federation of America, Appalachian People's Action Coalition, Center for Digital Democracy, Edgemont Neighborhood Coalition, and Migrant Legal Action Program ("CU *et al.*") urged the Commission to reject a proposed connection-based USF assessment system due to the negative impact such a system would have on low-use and average-use long-distance customers, and instead retain some version of the current revenue-based USF assessment system. In addition, CU *et al.* also urged the Commission to end abusive carrier USF "recovery" practices by either prohibiting the "pass through" of carrier USF assessments to end users or, in the alternative, limiting carrier USF assessment recovery to the actual amount of the USF assessment factor, and requiring a uniform line-item disclosure for such recovery.

In these reply comments, CU *et al.* address two issues raised by proponents of the proposed connection-based assessment. First, CU *et al.* respond to the assertions of those parties claiming that the current system will enter a "death spiral" due to declining interstate and international end user revenue and the increased use of "bundling" by carriers. In fact, the latest Commission statistics show that overall interstate and international traffic continues to grow. Furthermore, to the extent that assessable interstate and international traffic ever begins to decline due to "bundling," all the Commission has to do is refine the wireless and other "safe harbors" to adjust for the increasing interstate and international traffic generated by those packages. CU *et al.* submit that such "safe harbor" revisions, which were virtually ignored by proponents of the connection-based system, make far more sense than adopting a wholly untested assessment system that will penalize the poorest users of telecommunications services.

Second, CU *et al.* respond to several assertions detailed in the Coalition for Sustainable Universal Service ("CoSus") comments. In those comments, Co Sus claims that its proposed connection-based system will actually help low-income telecommunications users by replacing both the LEC USF surcharge and IXC USF surcharges with a \$1.00 connection fee. CoSus, however, never provides any specifics regarding the overall administration of the connection-based fee or whether additional fee "surcharges" will be allowed under its plan. Accordingly, CU *et al.* compiled three charts to test the effect of the CoSus proposal assuming that carriers would add either a \$0.10 (the figure suggested by CoSus), \$0.25 or \$0.51 "surcharge" to the connection based fee. CU *et al.* found that under almost all scenarios, low-use and average-use customers would pay more the connection-based plan than under the current revenue-based assessment system.

CU *et al.* also note that even CoSus' own data indicates that the majority of very-low and low-income households would pay more under the connection-based scenario. Under the figures provided by CoSus, 62 percent of very low income households would pay more under the CoSus connection-based proposal. Furthermore, when the top 20 percent of "heavy users" are removed from CoSus' analysis, the data shows that the "bottom" 62 percent of very-low income households would pay, on average, much more than they do under the current system.

TABLE OF CONTENTS

| | | |
|-----|--|----|
| I. | The Current Revenue-Based USF Assessment System Is Not Flawed | 3 |
| A. | Total Interstate Revenues Have Remained Stable In Recent Years | 4 |
| B. | Any Possible USF Revenue Shortfalls Should Be Addressed Through Revisions To the Current Revenue-Based System | 6 |
| II. | The CoSus Proposal Will Unduly Burden Low-Use and Average-Use Residential Customers | 8 |
| A. | CU et al. Analysis of the Connection-Based Proposal Indicates That Low-Use and Average-Use Residential Customers Would Be Disproportionately Harmed By the Connection-Based Proposal | 8 |
| B. | Even the Statistics Provided By CoSus Indicate That Most Low-Use, Low-Income Residential Customers Would Pay More In USF Assessments Under Its Connection-Based Proposal | 12 |
| | CONCLUSION | 15 |

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Consumers Union, Texas Office of Public Utility Counsel, Consumer Federation of
America, Appalachian People's Action Coalition, Center for Digital Democracy, Edgemont
Neighborhood Coalition and the Migrant Legal Action Program ("CU *et al.*"), through

undersigned counsel, hereby submit the following reply comments.¹

In initial comments, CU *et al.* noted, as a preliminary matter, that the Commission's Further Notice did not contain any details of the "studies" that Commission staff relied upon to formulate the "connection-based" proposal, and requested that the Commission release details of its preliminary study and convert the Further Notice to a Notice of Inquiry to allow further development of various USF assessment proposals.² Based on the available information, however, CU *et al.* strongly opposed the adoption of the connection-based proposal delineated in

¹See *Federal-State Joint Board on Universal Service, 1998 Biennial Regulatory Review - Streamlined Contributor Reporting Requirements Associated with Administration of Telecommunications Relay Service, North American Numbering Plan, Local Number Portability, and Universal Service Support Mechanisms, Telecommunications Services for Individuals with Hearing and Speech Disabilities, and the Americans with Disabilities Act of 1990, Administration of the North American Numbering Plan and North American Numbering Plan Cost Recovery Contribution Factor and Fund Size, Number Resource Optimization, Telephone Number Portability, Truth-in-Billing and Billing Format, Further Notice of Proposed Rulemaking and Report and Order*, CC Docket Nos. 96-45, 98-171, 90-571, 92-237, 99-200, 95-116, 98-170, FCC 02-43 (rel. Feb. 26, 2002) (hereinafter "Further Notice"); see also *Federal-State Joint Board on Universal Service, 1998 Biennial Regulatory Review - Streamlined Contributor Reporting Requirements Associated with Administration of Telecommunications Relay Service, North American Numbering Plan, Local Number Portability, and Universal Service Support Mechanisms, Telecommunications Services for Individuals with Hearing and Speech Disabilities, and the Americans with Disabilities Act of 1990, Administration of the North American Numbering Plan and North American Numbering Plan Cost Recovery Contribution Factor and Fund Size, Number Resource Optimization, Telephone Number Portability, Truth-in-Billing and Billing Format, Order*, CC Docket Nos. 96-45, 98-171, 90-571, 92-237, 99-200, 95-116, 98-170, DA 02-783 (rel. April 8, 2002) (extending the reply comment date to May 13, 2002).

²Counsel for CU *et al.* filed a Freedom of Information Act ("FOIA") request with the Commission on April 17, 2002, to obtain a copy of the Commission's "preliminary study." As of the date of this filing, however, CU *et al.*'s counsel has not received a copy of the "preliminary study." To the extent that the "preliminary study" is later released pursuant to the FOIA request, CU *et al.* reserve the right to file ex parte comments addressing the methodology and outcome of the "preliminary study."

the Further Notice, and urged the Commission to retain a modified version of the current revenue-based assessment system. In addition, CU *et al.* also urged the Commission to prohibit carrier "pass-through" of USF assessments or, in the alternative, requested that the Commission require a uniform line-item billing description for any USF fee pass-through, and limit carrier recovery to the actual USF percentage assessed by the Universal Service Assessment Company ("USAC").

In these reply comments, CU *et al.* focus on two main points. First, CU *et al.* respond to several parties who claim that the current revenue-based system is insufficient to meet future USF demands. Second, CU *et al.* provide further projections of the effects of a connection-based USF assessment on average-volume and low-volume long-distance users, and respond to projections provided by the Coalition for Sustainable Universal Service ("CoSus").

I. The Current Revenue-Based USF Assessment System Is Not Flawed

In initial comments, certain parties asserted that the current USF assessment system is unsustainable. CoSus, for example, stated that the existing revenue-based assessment system "is both economically unsustainable and unlawful" due to possible declines in overall interstate revenues.³ CoSus generally attributes these declines in revenue to increasing use of wireless services, the growth of "e-mail" and other electronic communication and "leakage" caused by customers who leave the public network due to "higher and higher contribution factors." In addition, AT&T comments stated that the current revenue-based system penalizes carriers with declining revenues who "accrue large assessments, which then must be spread over

³See Comments of the Coalition for Sustainable Universal Service at v (hereinafter "CoSus Comments").

a smaller revenue base."⁴

CU *et al.* recognize that the current revenue-based system may require adjustments. CU *et al.*, however, strongly disagree with those parties who allege that the current system is somehow "failing," and that an untested connection-based assessment method is the best alternative. As detailed below, interstate revenues are not declining, and are not expected to decline substantially in the future. Furthermore, even assuming that overall interstate revenues begin to decline in the future, the Commission can take a number of steps, including changes to the wireless "safe harbor," to ensure that the USF contribution assessment factor does not dramatically increase.

A. Total Interstate Revenues Have Remained Stable In Recent Years

One of the major contentions raised in the CoSus comments concerns the continued level of interstate revenues subject to USF assessments. According to CoSus, there has been a "sharp decline in assessable end user interstate and international telecommunications revenues reported by interexchange carriers."⁵ CoSus contends that this purported decrease, along with possible increases in demands for USF support, will cause the USF assessment factor to increase dramatically, resulted in a USF "death spiral."⁶ However, as illustrated by a number of other commenters, the CoSus "death spiral" theory is generally a mixture of hyperbole and conjecture that is unsupported by the facts.

As the National Association of State Utility Consumer Advocates ("NASUCA") points

⁴See Comments of AT&T Corp. at 11 (hereinafter "AT&T Comments").

⁵CoSus Comments at 21.

⁶*Id.* at 27.

out, the latest Commission report on yearly industry revenues indicates that total interstate and international telecommunications revenue has grown markedly, on a year-over-year basis, from over \$94 billion in 1996 to almost \$120 billion in 2000.⁷ In addition, total interstate minutes of use have also increased from 468.1 billion in 1996 to 567.4 billion in 2000, indicating that CoSus' theory of "leakage" due to use of e-mail or other methods of electronic communication has so far failed to materialize.⁸

In fact, the only statistics CoSus provides to support its theory that there has been a "sharp drop" in interstate and international telecommunications revenue is a comparison of the average quarterly USF "assessable end user interstate and international telecommunications revenue" in 1999, which CoSus claims was \$13.871 billion, and the third quarter of 2001, when CoSus states that end user revenues were only \$11.450 billion.⁹ There are, however, two major problems with this analysis. First, CoSus seeks to compare "apples" with "oranges" in its quarterly comparisons. The 1999 revenues were reported on FCC Form 499-A, while the third quarter 2001 revenues were reported on FCC Form 499-Q.¹⁰ As the Commission itself notes,

⁷Comments of the National Association of State Utility Consumer Advocates at 7 (hereinafter "NASUCA Comments"); see also *Telecommunications Industry Revenues 2000*, Common Carrier Bureau, Industry Analysis Division (rel. Jan. 2002) at Table 2 (noting the increase in "service reported as interstate and international" from 1996 to 2000) (hereinafter "*Telecommunications Industry Revenues 2000*").

⁸See *Trends in Telephone Service*, Common Carrier Bureau, Industry Analysis Division (re. Aug. 2001) at Table 11.3; see also NASUCA Comments at 7 (noting that interstate switched access minutes have increased every year since 1985, with a 21.2% increase" from 1996 to 2000").

⁹CoSus Comments at 21.

¹⁰See *Telecommunications Industry Revenues 2000* at 7.

"FCC Form 499-Q is far less detailed than Form 499-A" because "the quarterly form does not require filers to attach revenues to the provision of specific types of services," unlike Form 499-A.¹¹ Furthermore, the Commission clearly notes that the third quarter 2001 statistics are "carrier telecommunications revenues with *estimated* breakdowns by type of service," rather than actual breakdowns by type of service.¹² Accordingly, the CoSus "statistics" purporting to show a decline in interstate and international revenues can not be meaningfully compared.

Second, to the extent that the CoSus revenue statistics can be read to indicate any decline in interstate or international revenues from 1999 to third quarter 2001, these minor decreases are likely due to the economic recession that affected the U.S. starting in the first quarter of 2001. During the first quarter 2001, consumer and business spending declined rapidly in a number of sectors, including the telecommunications industry. Any decline, however, will likely be temporary as economic conditions improve throughout the second half of 2002, and certainly do not demand the abolition of the revenue-based assessment system proposed by CoSus and others.

B. Any Possible USF Revenue Shortfalls Should Be Addressed Through Revisions To the Current Revenue-Based System

CoSus also claims that the increased use of "bundled" packages of services, such as bundled wireless service packages and wireline packages offering both local and long-distance service, will undermine the current revenue-based assessment system.¹³ However, even assuming, *arguendo*, that CoSus' statistics indicate that there is a current or possible future

¹¹*Id.*

¹²*Id.* (further noting that on the quarterly reports "international-to-international revenues are included with non-telecommunications revenues rather than with end-user revenues").

¹³CoSus Comments at 26-28.

revenue shortfall that could lead to an increase in the USF assessment factor under the current system, CU *et al.* note that the shortfall could be corrected merely by changing many of the "safe harbors" or assessment exceptions that CoSus and others have identified.

Under the Commission's current "safe harbor" guidelines, wireless carriers generally report 15 percent of their total revenues as interstate.¹⁴ CoSus correctly notes that this "safe harbor" allocation has not kept up with the increasing interstate traffic generated by bundled or "bucket" packages offering a certain amount of local or interstate calls for a set price.¹⁵ However, rather than suggesting that the Commission reexamine these "safe harbors," which would appear to be a logical step in the context of this proceeding, CoSus merely states that the Commission has not revised the "safe harbors" since 1998, and then concludes that the current system "leaves the Commission with the unpalatable alternatives of either eliminating bundling or accepting the universal service 'death spiral' as customers seek to minimize their universal service charges."¹⁶

This conclusion, however, completely ignores the most obvious Commission option – reform of the current wireless "safe harbor exception – and instead merely relies on its fanciful "death spiral" theory to support adoption of an untested connection-based assessment proposal.

¹⁴See Federal-State Joint Board on Universal Service, Memorandum Opinion and Order and Further Notice of Proposed Rulemaking, 13 FCC Rcd 21252, 21258-60 (1998) (hereinafter "CMRS Safe Harbor Order") (establishing a "safe harbor percentage of interstate revenues for cellular and broadband PCS providers of 15 percent of their total cellular and broadband PCS telecommunications revenues").

¹⁵CoSus Comments at 27 (noting that "[t]hese 'safe harbors,' however, have not kept up with marketplace developments").

¹⁶*Id.*

CU *et al.* submit that it is logically incongruous for CoSus to suggest that an unproven connection-based system will solve all future USF funding issues, while simultaneously ignoring a relatively easy adjustment to the current revenue-based assessment system. Accordingly, on this basis alone, the CoSus connection-based proposal should be rejected.

II. The CoSus Proposal Will Unduly Burden Low-Use and Average-Use Residential Customers

In initial comments, CoSus claims that its connection-based proposal would be fair and equitable among all groups of telecommunications users,¹⁷ and even claims that its proposal would benefit the majority of low-use customers.¹⁸ However, neither CoSus' own statistics, nor an analysis performed by CU *et al.* show that low-use or average-use residential customers would benefit from the CoSus proposal. In fact, as detailed below, under the CoSus proposal, most low-use and average-use residential customers would pay more under the CoSus proposal.

A. CU et al. Analysis of the Connection-Based Proposal Indicates That Low-Use and Average-Use Residential Customers Would Be Disproportionately Harmed By the Connection-Based Proposal

CoSus states that "[a]t every income level, the average residential service assessment will be less under the Coalition's proposal than under the current mechanism."¹⁹ CoSus also states that for "the lowest income group (households with income below \$15,000 per year), the average household will likewise pay \$0.40 less for their primary residential line."²⁰ Analysis of the

¹⁷See generally CoSus Comments at 67-70.

¹⁸See *id.* at 67.

¹⁹*Id.*

²⁰*Id.*

CoSus proposal, however, indicates that it will have a disproportionate impact on most low-use and average-use residential customers.

In initial comments, CU *et al.* provided a chart detailing the general impact of a connection-based USF assessment system on low-use and average-use residential customers.²¹ Since the Commission's Further Notice stated that the connection-based proposal would replace the assessment paid by interexchange carriers on interstate and international revenues, but did not clearly specify whether the proposed connection-based fee would subsume the USF assessment on local exchange carriers,²² CU *et al.* assumed that the connection-based fee would replace the interexchange carrier assessment. If instead, as CoSus seems to propose, the LEC assessment would be included in the connection-based assessment, the impact would be different for customers that currently have the LEC USF "pass through" billed as a separate line-item.²³ However, it still appears that many consumers, and especially low-income consumers, would be

²¹See Comments of Consumers Union, Texas Office of Public Utility Counsel, Consumer Federation of America, Appalachian People's Action Coalition, Center for Digital Democracy, Edgemont Neighborhood Coalition and Migrant Legal Action Program at Attachment 1 (hereinafter "CU *et al.* Comments").

²²See Further Notice at 15 (stating that "[u]nder this proposal, interstate telecommunications providers would contribute \$1 per month for each residential, single-line business, and mobile wireless connection to a public network, except for pagers. . . ."). The proposal does not expressly state, however, that the connection fee will subsume all other LEC contribution mechanisms.

²³CoSus Comments at Attachment 2 ("Declaration of Martha Behrend") at 3 (stating that under the CoSus proposal, the "FUSF charge" on the local bill "would be eliminated"). CU *et al.* note, however, that most competitive local exchange carrier ("CLEC") customers and certain incumbent LEC ("ILEC") customers currently do not pay a separate line-item USF charge. See Attachment 1, Sample Verizon-Maryland Billing Statement (reflecting the lack of a separate USF line-item); Attachment 2, Sample Starpower Billing Statement (reflecting lack of separate line-item USF charge).

worse off under the CoSus proposal. The CoSus proposal does not propose any limit on carrier "surcharges" or "mark-ups" on the connection-based fee.²⁴ In fact, the CoSus comments note that most carriers would add a surcharge or mark-up of a least \$0.10 to the base connection fee.²⁵

Because the CoSus comments do not propose any ceiling for "surcharges," it is almost impossible for CU *et al.* to provide fully assess the impact of the connection-based proposal.²⁶ However, in the interest of providing information concerning the range of options available, CU *et al.* has compiled three additional charts detailing the impact of the proposed connection-based fee under three different scenarios.²⁷ All three of the charts assume that the connection-based fee

²⁴See *id.* at 4 (stating that "the Coalition proposal does not address whether, or by how much, carriers should be allowed to mark-up the amount they are [sic] assessed by USAC (in this case, the initial \$1.00 per line assessment)").

²⁵See *id.* (assuming that "there would be a mark-up over the per-connection assessment" and assuming, for the purposes of CoSus' "impact" study that the "monthly FUSF would be \$1.10 per connection"). Based on the experience with many interexchange carriers, however, CU *et al.* submit that the mark-up is likely to be substantially higher.

²⁶See CoSus Comments, Attachment 2 at 4.

²⁷See Attachment 3, Current USF Costs for Low-Use and Average-Use Residential Long Distance Customers Compared With Annualized Cost for Low-Use and Average Use Residential Customers Assessed a Connectivity Fee of \$1.10 (comparing current assessment of LEC and IXC USF pass-through compared with imposition of \$1.00 connection charge plus \$0.10 "mark-up noted by CoSus); Attachment 4, Current USF Costs for Low-Use and Average-Use Residential Long Distance Customers Compared With Annualized Cost for Low-Use and Average Use Residential Customers Assessed a Connectivity Fee of \$1.25 (comparing current assessment of LEC and IXC USF pass-through compared with imposition of \$1.00 connection charge plus \$0.25 "mark-up); Attachment 5, Current USF Costs for Low-Use and Average-Use Residential Long Distance Customers Compared With Annualized Cost for Low-Use and Average Use Residential Customers Assessed a Connectivity Fee of \$1.51 (comparing current assessment of LEC and IXC USF pass-through compared with imposition of \$1.00 connection charge plus \$0.51 "mark-up). For sake of comparison, CU *et al.* have also attached a copy of the chart submitted with CU *et al.*'s initial comments as Attachment 6. As noted above, this chart assumes that IXC USF "pass-through" would be eliminated, and a \$1.00 connection fee added to the LEC charge.

would replace the entire interexchange carrier assessment, and the average LEC USF assessment of \$0.51.²⁸ In place of the current assessment, however, the CU *et al.* charts assume that the \$1.00 connection fee would be assessed, plus a \$0.10, \$0.25, or \$0.51 "surcharge."²⁹

All three of the charts indicate that the connection-based proposal, combined with any surcharge ranging from \$0.10 to \$0.51, would harm low-use and average-use residential customers. Under the first scenario, involving the \$1.00 connection fee, plus the \$0.10 "surcharge" specifically contemplated in the CoSus comments, low-use customers would pay a higher USF assessment in all but 2 of the 18 calling plans studied, and average-use customers would pay more in all but 3 of the plans studied.³⁰ Under the second scenario, which assumes a \$1.00 connection fee, combined with a \$0.25 "surcharge," low-use customers would pay more under all but one calling plan, and average-use customers would pay more under all but two calling plans.³¹ Finally, under the third scenario, which assumes a \$1.00 connection fee, plus a \$0.51 "surcharge," all low-use and average-use customers would pay more under all the calling plans studied.³²

²⁸*See id.*

²⁹*See id.*

³⁰*See* Attachment 3.

³¹*See* Attachment 4.

³²*See* Attachment 5. CU *et al.* submit that this chart would also approximate the net increase for most CLEC customers, as well as for ILEC customers whose bills do not contain a USF line-item because the \$1.00 "connection fee" would not subsume any pre-existing "LEC USF recovery surcharge."

B. Even the Statistics Provided By CoSus Indicate That Most Low-Use, Low-Income Residential Customers Would Pay More In USF Assessments Under Its Connection-Based Proposal

Even the data provided by CoSus does not support the contention that its connection-based assessment proposal would benefit most low-income, low-use residential customers. In fact, the data provided by CoSus indicates that most low-income households will pay more under the connection-based proposal than they currently pay under the revenue-based system.

The CoSus data, on its face, admits that 62% of all households with incomes below \$15,000 a year will pay more under a connection-based fee regime, and that 58% of households making between \$15,000 and \$30,000 a year will pay more.³³ CoSus attempts to ameliorate this disparate effect, however, by stating that this change would help "very low income households [that] have very large interstate and international usage."³⁴ Although CoSus cites no basis for estimating these savings, they claim that the "top 1 percent of very low income households" would save an "average of \$9.44 per month," that "the top 10 percent of very low income households" would save "on average \$5.35 per month," and that the "top 20 percent" would save "on average \$3.08 per month."³⁵

Since no data source is provided for these figures, it is impossible for CU *et al.* to verify these assertions. However, even assuming that the CoSus "very low income" use figures are true, the large "savings" by the top 1 to 10 percent of low income users masks substantial increases on the majority of very low income customers. In order for the "top" 20 percent of

³³See CoSus Comments, Attachment 2 at 6, Table 1.

³⁴See *id.* at 6, ¶ 12.

³⁵See *id.*

very-low income users to "save" the amounts claimed by CoSus under the connection-based proposal, the top one percent of very low-income users currently must pay over \$10.00 a month in USF fees, the top 10 percent must pay approximately \$6.00 per month, and the top 20 percent must pay over \$4.00 per month. However, once these "top percentage" households are deducted, the average USF assessment paid by the bottom 62 percent of very low income individuals becomes much smaller.³⁶ For example, if the top 1 percent is removed, the remaining 99 percent pay an average USF fee of \$0.89 a month.³⁷ Following on this, removal of the top 10 percent from the group lowers the average for the remaining 90 percent to an average fee of \$0.43 a month.³⁸ The removal of the top 20 percent lowers the overall average for the remaining 80 percent to an average of \$0.24 a month.³⁹ Accordingly, when viewed in this context it becomes apparent that the CoSus proposal fails to benefit, and in fact harms, the majority of very poor customers.

Furthermore, CU *et al.* note that any decreased burden on the top one percent of very low income individuals is unlikely to actually help overall telephone penetration. To the extent that the top one percent of very low-income households incur monthly "pass-through" USF assessments of over \$10.00, it means that their bills for the base interexchange services are likely between \$80.00 to \$100.00. At those levels, it is highly unlikely that the USF "assessment"

³⁶See Attachment 7 for an explanation of CU *et al.*'s analysis.

³⁷See *id.*

³⁸See *id.*


³⁹See *id.* Furthermore, as noted in Attachment 7, the average fee paid by the "lowest" 62 percent of very-low income individuals (whom CoSus already admits will pay more under the connection-based proposal) would be only \$0.14.

would add to any "rate shock" associated with a bill that already consumes a great deal of very low-income customers' monthly income. On the other hand, for the "bottom" 80 percent of very low-income individuals, who have an average interexchange carrier USF "assessment" of \$0.24 a month, the increase associated with a connection-based charge represents a substantial yearly increase that may cause some people to either lose or terminate their local and long-distance telephone service. CU *et al.* submit that such a result would be a very negative outcome.

CONCLUSION

Neither CoSus nor any other party participating in this proceeding has shown a compelling reason to replace the current revenue-based USF assessment system. Accordingly, CU *et al.* urge the Commission to retain a revenue-based USF assessment system and adopt rules, such as a prohibition on "pass through" of carrier USF assessments or, in the alternative, a limitation on carrier USF recovery to the actual amount of the USF factor to protect consumers from abuse carrier USF recovery practices.

Respectfully submitted,



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Dated: May 13, 2002

ATTACHMENTS

| | |
|--------------|---|
| Attachment 1 | Sample Verizon-Maryland Local Telephone Billing Statement |
| Attachment 2 | Sample Starpower (District of Columbia) Local Telephone Billing Statement |
| Attachment 3 | Current USF Costs for Low-Use and Average-Use Residential Long Distance Customers Compared With Annualized Cost for Low-Use and Average-Use Residential Customers Assessed a Connectivity Fee of \$1.10 |
| Attachment 4 | Current USF Costs for Low-Use and Average-Use Residential Long Distance Customers Compared With Annualized Cost for Low-Use and Average-Use Residential Customers Assessed a Connectivity Fee of \$1.25 |
| Attachment 5 | Current USF Costs for Low-Use and Average-Use Residential Long Distance Customers Compared With Annualized Cost for Low-Use and Average-Use Residential Customers Assessed a Connectivity Fee of \$1.51 |
| Attachment 6 | Copy of Comparison Chart Submitted With CU et al.'s Initial Comments |
| Attachment 7 | Chart Detailing Analysis of CoSus "Very-Low Income" Impact Statistics |

**Monthly Charges**

Monthly charges are billed in full one month in advance.

| Basic Service | Amount |
|---|-----------------|
| 1. Monthly Rates | 94.38 |
| Optional Service | |
| 2. Monthly Rates | 9.00 |
| Verizon Monthly Charges Mar. 5, 2002 thru Apr. 4, 2002 | |
| | \$103.38 |

Other Services and Charges

| Directory Assistance Service | Calls | Amount |
|---|-------|---------------|
| Local Directory Assistance Calls | 1 | |
| Minus Call Allowance | 1 | |
| 1. Local Directory Assistance Charges | | at \$.25 .00 |
| Directory Assistance Usage Total | | .00 |
| Verizon Other Services and Charges | | \$0.00 |

Calls from

| Directory Assistance Service | Calls | Amount |
|---|--------|-------------------------|
| 4. Local Directory Assistance | 1 | |
| (See Other Services and Charges for account total) | | |
| Operator and System Assisted Calls | | |
| 5. Date | Time | Place and Number Called |
| 2/07 | 3:42pm | 3-WAY CALL |
| Type | Rate | Minutes |
| Direct | | .75 |
| Verizon Operator and System Assisted Calls | | \$0.75 |
| Total Calls from | | \$0.75 |

Tax, Surcharges and Other Fees

| | Amount |
|---|---------------|
| Surcharges | |
| Taxes and Surcharges are assessed by your Local, State and Federal Governments. | |
| 6. Gross Receipts Tax Surcharge | 1.96 |
| 7. Telecommunications Access of MD Fee | .80 |
| 8. 911 Fee | .60 |
| Tax | |
| 9. Federal | 3.01 |
| State | |
| 10. MD Tax | .49 |
| Verizon Tax, Surcharges and Other Fees | |
| | \$5.86 |



ACCOUNT NAME:
ACCOUNT NUMBER:

PAGE 2 OF 6
USAGE UNTIL: 04/10/02

STATEMENT OF ACCOUNT:
PRIOR PERIOD:

THROUGH: APRIL 10, 2002

| | | |
|-----------------------------|---------|------------------|
| PRIOR BALANCE | | \$22.07 |
| PAYMENT RECEIVED | 4/08/02 | <u>\$22.07CR</u> |
| BALANCE BEFORE NEW CHARGES: | | \$.00 |

CURRENT PERIOD:

PRODUCT USAGE:

| | <u>CALLS</u> | <u>MINUTES</u> | <u>AMOUNT</u> |
|----------------------|--------------|----------------|---------------|
| Local Calls | 249 | 3,210.0 | <u>\$.00</u> |
| TOTAL USAGE CHARGES: | | | \$.00 |

SERVICE CHARGES:

| | FR DATE | TO DATE | QUANTITY | NON-RECUR | RECURRING | |
|--------------------------------|---------|---------|----------|-----------|-----------|---------------|
| Call Waiting | 4/11/02 | 5/10/02 | 1 | .00 | 4.51 | \$4.51 |
| Washington DC Premium Service | 4/11/02 | 5/10/02 | 1 | .00 | 12.29 | \$12.29 |
| DC Switched Access Line | 4/11/02 | 5/10/02 | 1 | .00 | .00 | \$.00 |
| FCC Subscriber Line Charge | 4/11/02 | 5/10/02 | 1 | .00 | 3.81 | \$3.81 |
| Enhanced Emergency 911 Service | 4/11/02 | 5/10/02 | 1 | .00 | .56 | \$.56 |
| Number Portability Charge | 4/11/02 | 5/10/02 | 1 | .00 | .23 | <u>\$.23</u> |
| TOTAL SERVICE CHARGES: | | | | | | \$21.40 |

TAXES:

| | | |
|--------------------------|--|---------------|
| Federal Excise Tax | | \$.64 |
| State Gross Receipts Tax | | <u>\$.53</u> |
| TOTAL TAXES: | | \$1.17 |

| | |
|------------------------|---------|
| TOTAL CURRENT CHARGES: | \$22.57 |
|------------------------|---------|

| | |
|-------------------|----------------|
| TOTAL AMOUNT DUE: | <u>\$22.57</u> |
|-------------------|----------------|

Attachment 3

**CURRENT USF COSTS FOR LOW-USE AND AVERAGE-USE RESIDENTIAL LONG DISTANCE CUSTOMERS
COMPARED WITH ANNUALIZED COST FOR LOW-USE AND AVERAGE-USE RESIDENTIAL CUSTOMERS ASSESSED A CONNECTIVITY FEE OF \$1.10**

| Provider | Plan | Advertised Per-Minute Rate | Monthly Fee | Current USF % & \$0.51 LEC | Proposed USF Connectivity Cost Per Month | Total End-User Costs For 29 Minutes | Actual Per-Minute Rate For 29 Minutes | Current USF Costs For 29 Minutes | Current USF Costs For 58 Minutes | Total End-User Costs For 58 Minutes | Actual Per-Minute Rate For 58 Minutes | Annualized USF Increase for Low-Use Customers | Annualized USF Increase For Average-Use Customer |
|------------------------|---|----------------------------------|------------------------|-------------------------------------|---|--|--|---|---|--|--|--|---|
| ATT | One Rate Plus Plan | 0.07 | \$3.95 | 11.50% | \$ 1.10 | \$ 6.67 | \$ 0.23 | \$ 0.69 | \$ 0.92 | \$ 8.93 | \$ 0.15 | \$ (1.17) | \$ (3.17) |
| MC | Anytime Advantage Savings Option | 0.07 | \$2.95 | 9.90% | \$ 1.10 | \$ 5.47 | \$ 0.19 | \$ 0.19 | \$ 0.69 | \$ 7.70 | \$ 0.13 | \$ 1.16 | \$ (1.16) |
| Sprint | Anytime | 0.07 | \$5.95 to \$0.00 | 9.90% | \$ 1.10 | \$ 8.77 \$ 2.23 | \$ 0.30 \$ 0.08 | \$ 0.79 \$ 0.20 | \$ 0.99 \$ 0.40 | \$ 11.00 \$ 4.46 | \$ 0.19 \$ 0.08 | \$ (2.40) \$ 4.67 | \$ (4.67) \$ 2.23 |
| Everdial | Everdial1 | 0.049 | \$0.00 | 9.25% | \$ 1.10 | \$ 1.55 | \$ 0.05 | \$ 0.13 | \$ 0.26 | \$ 3.10 | \$ 0.05 | \$ 5.50 | \$ 3.90 |
| ZoneD | N/A | 0.045 | \$0.00 | 8.50% | \$ 1.10 | \$ 1.42 | \$ 0.05 | \$ 0.11 | \$ 0.22 | \$ 2.83 | \$ 0.05 | \$ 5.75 | \$ 4.40 |
| Total Call Int'l | N/A | 0.049 | \$0.00 | 6.90% | \$ 1.10 | \$ 1.52 | \$ 0.05 | \$ 0.10 | \$ 0.20 | \$ 3.04 | \$ 0.05 | \$ 5.90 | \$ 4.70 |
| isterra | N/A | 0.049 | \$0.00 | 9.25% | \$ 1.10 | \$ 1.55 | \$ 0.05 | \$ 0.13 | \$ 0.26 | \$ 3.10 | \$ 0.05 | \$ 5.50 | \$ 3.90 |
| *0# | N/A | 0.054 | \$0.00 | 9.90% | \$ 1.10 | \$ 1.72 | \$ 0.06 | \$ 0.16 | \$ 0.31 | \$ 3.44 | \$ 0.06 | \$ 5.22 | \$ 3.30 |
| Capsule | N/A | 0.039 | \$2.00 to \$0.00 | 9.80% | \$ 1.10 | \$ 3.44 \$ 1.24 | \$ 0.12 \$ 0.04 | \$ 0.31 \$ 0.11 | \$ 0.42 \$ 0.22 | \$ 4.68 \$ 2.48 | \$ 0.08 \$ 0.04 | \$ 3.40 \$ 5.75 | \$ 2.00 \$ 4.40 |
| ecg | N/A | 0.049 | \$2.00 to \$0.00 | 6.90% | \$ 1.10 | \$ 3.66 \$ 1.52 | \$ 0.13 \$ 0.05 | \$ 0.24 \$ 0.10 | \$ 0.33 \$ 0.20 | \$ 5.18 \$ 3.04 | \$ 0.09 \$ 0.05 | \$ 4.25 \$ 5.90 | \$ 3.00 \$ 4.70 |
| Unitel | N/A | 0.045 | \$2.00 to \$0.00 | 7.70% | \$ 1.10 | \$ 3.56 \$ 1.41 | \$ 0.12 \$ 0.05 | \$ 0.25 \$ 0.10 | \$ 0.35 \$ 0.20 | \$ 4.96 \$ 2.81 | \$ 0.09 \$ 0.05 | \$ 4.03 \$ 5.87 | \$ 2.80 \$ 4.60 |
| Power Net Global | N/A | 0.049 | \$2.50 to \$0.00 | 9.90% | \$ 1.10 | \$ 4.31 \$ 1.56 | \$ 0.15 \$ 0.05 | \$ 0.39 \$ 0.14 | \$ 0.53 \$ 0.28 | \$ 5.87 \$ 3.12 | \$ 0.10 \$ 0.05 | \$ 2.42 \$ 5.39 | \$ 0.70 \$ 3.70 |
| atn | N/A | 0.069 | \$0.00 | 12% | \$ 1.10 | \$ 2.24 | \$ 0.08 | \$ 0.24 | \$ 0.48 | \$ 4.48 | \$ 0.08 | \$ 4.20 | \$ 1.30 |

Attachment 4

**CURRENT USF COSTS FOR LOW-USE AND AVERAGE-USE RESIDENTIAL LONG DISTANCE CUSTOMERS
COMPARED WITH ANNUALIZED COST FOR LOW-USE AND AVERAGE-USE RESIDENTIAL CUSTOMERS ASSESSED A CONNECTIVITY FEE OF \$1.25**

| Provider | Plan | Advertised Per-Minute Rate | Monthly Fee | Current USF % & \$0.51 LEC | Proposed USF Connectivity Cost Per Month | Total End-User Costs For 29 Minutes | Actual Per-Minute Rate For 29 Minutes | Current USF Costs For 29 Minutes | Current USF Costs For 58 Minutes | Total End-User Costs For 58 Minutes | Actual Per-Minute Rate For 58 Minutes | Annualized USF Increase for Low-Use Customers | Annualized USF Increase For Average-Use Customers |
|-----------------------|---|----------------------------------|-------------------------|-------------------------------------|---|--|--|---|---|--|--|--|--|
| ATT | One Rate Plus Plan | 0.07 | \$3.95 | 11.50% | \$ 1.25 | \$ 6.67 | \$ 0.23 | \$ 0.69 | \$ 0.92 | \$ 8.93 | \$ 0.15 | \$ 0.63 | \$ (2.00) |
| MCI | Anytime Advantage Savings Option | 0.07 | \$2.95 | 9.90% | \$ 1.25 | \$ 5.47 | \$ 0.19 | \$ 0.49 | \$ 0.69 | \$ 7.70 | \$ 0.13 | \$ 2.96 | \$ 0.00 |
| Sprint | Anytime | 0.07 | \$ 5.95 to \$0.00 | 9.90% | \$ 1.25 | \$ 8.77 \$ 2.23 | \$ 0.30 \$ 0.08 | \$ 0.79 \$ 0.20 | \$ 0.99 \$ 0.40 | \$ 11.00 \$ 4.46 | \$ 0.19 \$ 0.08 | \$ (0.60) \$ 6.47 | \$ (3.00) \$ 4.00 |
| Everdial | Everdial1 | 0.049 | \$0.00 | 9.25% | \$ 1.25 | \$ 1.55 | \$ 0.05 | \$ 0.13 | \$ 0.26 | \$ 3.10 | \$ 0.05 | \$ 7.30 | \$ 5.00 |
| ZonaID | N/A | 0.045 | \$0.00 | 8.50% | \$ 1.25 | \$ 1.42 | \$ 0.05 | \$ 0.11 | \$ 0.22 | \$ 2.83 | \$ 0.05 | \$ 7.55 | \$ 6.00 |
| Total Call Int. | N/A | 0.049 | \$0.00 | 6.90% | \$ 1.25 | \$ 1.52 | \$ 0.05 | \$ 0.10 | \$ 0.20 | \$ 3.04 | \$ 0.05 | \$ 7.70 | \$ 6.00 |
| Isterra | N/A | 0.049 | \$0.00 | 9.25% | \$ 1.25 | \$ 1.55 | \$ 0.05 | \$ 0.13 | \$ 0.26 | \$ 3.10 | \$ 0.05 | \$ 7.30 | \$ 5.00 |
| *O# | N/A | 0.054 | \$0.00 | 9.90% | \$ 1.25 | \$ 1.72 | \$ 0.06 | \$ 0.16 | \$ 0.31 | \$ 3.44 | \$ 0.06 | \$ 7.02 | \$ 5.00 |
| Capsule | N/A | 0.039 | \$ 2.00 to \$0.00 | 9.80% | \$ 1.25 | \$ 3.44 \$ 1.24 | \$ 0.12 \$ 0.04 | \$ 0.31 \$ 0.11 | \$ 0.42 \$ 0.22 | \$ 4.68 \$ 2.48 | \$ 0.08 \$ 0.04 | \$ 5.20 \$ 7.55 | \$ 3.00 \$ 6.00 |
| ecg | N/A | 0.049 | \$ 2.00 to \$0.00 | 6.90% | \$ 1.25 | \$ 3.66 \$ 1.52 | \$ 0.13 \$ 0.05 | \$ 0.24 \$ 0.10 | \$ 0.33 \$ 0.20 | \$ 5.18 \$ 3.04 | \$ 0.09 \$ 0.05 | \$ 6.05 \$ 7.70 | \$ 4.00 \$ 6.00 |
| Unitel | N/A | 0.045 | \$ 2.00 to \$0.00 | 7.70% | \$ 1.25 | \$ 3.56 \$ 1.41 | \$ 0.12 \$ 0.05 | \$ 0.25 \$ 0.10 | \$ 0.35 \$ 0.20 | \$ 4.96 \$ 2.81 | \$ 0.09 \$ 0.05 | \$ 5.83 \$ 7.67 | \$ 4.00 \$ 6.00 |
| Power Net | N/A | 0.049 | \$ 2.50 to \$0.00 | 9.90% | \$ 1.25 | \$ 4.31 \$ 1.56 | \$ 0.15 \$ 0.05 | \$ 0.39 \$ 0.14 | \$ 0.53 \$ 0.28 | \$ 5.87 \$ 3.12 | \$ 0.10 \$ 0.05 | \$ 4.22 \$ 7.19 | \$ 2.00 \$ 5.00 |
| Global | N/A | 0.069 | \$0.00 | 12% | \$ 1.25 | \$ 2.24 | \$ 0.08 | \$ 0.24 | \$ 0.48 | \$ 4.48 | \$ 0.08 | \$ 6.00 | \$ 3.00 |

Attachment 5

**CURRENT USF COSTS FOR LOW-USE AND AVERAGE-USE RESIDENTIAL LONG DISTANCE CUSTOMERS
COMPARED WITH ANNUALIZED COST FOR LOW-USE AND AVERAGE-USE RESIDENTIAL CUSTOMERS ASSESSED A CONNECTIVITY FEE OF \$1.51**

| Provider | Plan | Advertised Per-Minute Rate | Monthly Fee | Current USF % & \$0.51 LEC | Proposed USF Connectivity Cost Per Month | Total End-User Costs For 29 Minutes | Actual Per-Minute Rate For 29 Minutes | Current USF Costs For 29 Minutes | Current USF Costs For 58 Minutes | Total End-User Costs For 58 Minutes | Actual Per-Minute Rate For 58 Minutes | Annualized USF Increase for Low-Use Customers | Annualized USF Increase For Average- Use Customers |
|-----------------------|---|----------------------------------|-------------------------|-------------------------------------|---|--|--|---|---|--|--|--|---|
| ATT | One Rate Plus Plan | 0.07 | \$3.95 | 11.50% | \$ 1.51 | \$ 6.67 | \$ 0.23 | \$ 0.59 | \$ 0.92 | \$ 8.93 | \$ 0.15 | \$ 3.75 | \$ 0.00 |
| MCI | Anytime Advantage Savings Option | 0.07 | \$2.95 | 9.90% | \$ 1.51 | \$ 5.47 | \$ 0.19 | \$ 0.49 | \$ 0.69 | \$ 7.70 | \$ 0.13 | \$ 6.08 | \$ 3.00 |
| Sprint | Anytime | 0.07 | \$ 5.95 to \$0.00 | 9.90% | \$ 1.51 | \$ 8.77 \$ 2.23 | \$ 0.30 \$ 0.08 | \$ 0.79 \$ 0.20 | \$ 0.99 \$ 0.40 | \$ 11.00 \$ 4.46 | \$ 0.19 \$ 0.08 | \$ 2.52 \$ 9.59 | \$ 0.00 \$ 7.00 |
| Everdial | Everdial1 | 0.049 | \$0.00 | 9.25% | \$ 1.51 | \$ 1.55 | \$ 0.05 | \$ 0.13 | \$ 0.26 | \$ 3.10 | \$ 0.05 | \$ 10.42 | \$ 8.00 |
| ZoneD | N/A | 0.045 | \$0.00 | 8.50% | \$ 1.51 | \$ 1.42 | \$ 0.05 | \$ 0.11 | \$ 0.22 | \$ 2.83 | \$ 0.05 | \$ 10.67 | \$ 9.00 |
| Total Call Int. | N/A | 0.049 | \$0.00 | 6.90% | \$ 1.51 | \$ 1.52 | \$ 0.05 | \$ 0.10 | \$ 0.20 | \$ 3.04 | \$ 0.05 | \$ 10.82 | \$ 9.00 |
| isterra | N/A | 0.049 | \$0.00 | 9.25% | \$ 1.51 | \$ 1.55 | \$ 0.05 | \$ 0.13 | \$ 0.26 | \$ 3.10 | \$ 0.05 | \$ 10.42 | \$ 8.00 |
| *0# | N/A | 0.054 | \$0.00 | 9.90% | \$ 1.51 | \$ 1.72 | \$ 0.06 | \$ 0.16 | \$ 0.31 | \$ 3.44 | \$ 0.06 | \$ 10.14 | \$ 8.00 |
| Capsule | N/A | 0.039 | \$ 2.00 to \$0.00 | 9.80% | \$ 1.51 | \$ 3.44 \$ 1.24 | \$ 0.12 \$ 0.04 | \$ 0.31 \$ 0.11 | \$ 0.42 \$ 0.22 | \$ 4.68 \$ 2.48 | \$ 0.08 \$ 0.04 | \$ 8.32 \$ 10.67 | \$ 6.00 \$ 9.00 |
| ecg | N/A | 0.049 | \$ 2.00 to \$0.00 | 6.90% | \$ 1.51 | \$ 3.66 \$ 1.52 | \$ 0.13 \$ 0.05 | \$ 0.24 \$ 0.10 | \$ 0.33 \$ 0.20 | \$ 5.18 \$ 3.04 | \$ 0.09 \$ 0.05 | \$ 9.17 \$ 10.82 | \$ 7.00 \$ 9.00 |
| Unitel | N/A | 0.045 | \$ 2.00 to \$0.00 | 7.70% | \$ 1.51 | \$ 3.56 \$ 1.41 | \$ 0.12 \$ 0.05 | \$ 0.25 \$ 0.10 | \$ 0.35 \$ 0.20 | \$ 4.96 \$ 2.81 | \$ 0.09 \$ 0.05 | \$ 8.95 \$ 10.79 | \$ 7.00 \$ 9.50 |
| Power Net | N/A | 0.049 | \$ 2.50 to \$0.00 | 9.90% | \$ 1.51 | \$ 4.31 | \$ 0.15 | \$ 0.39 | \$ 0.53 | \$ 5.87 | \$ 0.10 | \$ 7.34 | \$ 5.00 |
| Global | N/A | 0.049 | \$0.00 | 9.90% | \$ 1.51 | \$ 1.56 | \$ 0.05 | \$ 0.14 | \$ 0.28 | \$ 3.12 | \$ 0.05 | \$ 10.31 | \$ 8.00 |
| atn | N/A | 0.069 | \$0.00 | 12% | \$ 1.51 | \$ 2.24 | \$ 0.08 | \$ 0.24 | \$ 0.48 | \$ 4.48 | \$ 0.08 | \$ 9.12 | \$ 6.00 |

Attachment 6

**CURRENT USF COSTS FOR LOW-USE AND AVERAGE-USE RESIDENTIAL LONG DISTANCE CUSTOMERS
COMPARED WITH ANNUALIZED COST FOR LOW-USE AND AVERAGE-USE RESIDENTIAL CUSTOMERS UNDER PROPOSED CONNECTIVITY CHARGE**

| Provider | Plan | Advertised Per-Minute Rate | Monthly Fee | Current USF % | Proposed USF Connectivity Cost Per Month | Total End-User Costs For 29 Minutes | Actual Per-Minute Rate For 29 Minutes | Current USF Costs For 29 Minutes | Current USF Costs For 58 Minutes | Total End-User Costs For 58 Minutes | Actual Per-Minute Rate For 58 Minutes | Annualized USF Increase for Low-Use Customers | Annualized USF Increase For Average-Use Customers |
|------------------------|---|----------------------------------|-------------------------|------------------|---|--|--|---|---|--|--|--|--|
| AT&T | One Rate Plus Plan | 0.07 | \$3.95 | 11.50% | \$ 1.00 | \$ 6.67 | \$ 0.23 | \$ 0.69 | \$ 0.92 | \$ 8.93 | \$ 0.15 | \$ 3.75 | \$ 0 |
| MCI | Anytime Advantage Savings Option | 0.07 | \$2.95 | 9.90% | \$ 1.00 | \$ 5.47 | \$ 0.19 | \$ 0.49 | \$ 0.69 | \$ 7.70 | \$ 0.13 | \$ 6.08 | \$ 3.00 |
| Sprint | Anytime | 0.07 | \$ 5.95 to \$0.00 | 9.90% | \$ 1.00 | \$ 8.77 \$ 2.23 | \$ 0.30 \$ 0.08 | \$ 0.79 \$ 0.20 | \$ 0.99 \$ 0.40 | \$ 11.00 \$ 4.46 | \$ 0.19 \$ 0.08 | \$ 2.52 \$ 9.59 | \$ 0 \$ 7.00 |
| Everdial | Everdial1 | 0.049 | \$0.00 | 9.25% | \$ 1.00 | \$ 1.55 | \$ 0.05 | \$ 0.13 | \$ 0.26 | \$ 3.10 | \$ 0.05 | \$ 10.42 | \$ 8.00 |
| ZoneID | N/A | 0.045 | \$0.00 | 8.50% | \$ 1.00 | \$ 1.42 | \$ 0.05 | \$ 0.11 | \$ 0.22 | \$ 2.83 | \$ 0.05 | \$ 10.67 | \$ 9.00 |
| Total Call Int'l | N/A | 0.049 | \$0.00 | 6.90% | \$ 1.00 | \$ 1.52 | \$ 0.05 | \$ 0.10 | \$ 0.20 | \$ 3.04 | \$ 0.05 | \$ 10.82 | \$ 9.00 |
| isterra | N/A | 0.049 | \$0.00 | 9.25% | \$ 1.00 | \$ 1.55 | \$ 0.05 | \$ 0.13 | \$ 0.26 | \$ 3.10 | \$ 0.05 | \$ 10.42 | \$ 8.00 |
| *0# | N/A | 0.054 | \$0.00 | 9.90% | \$ 1.00 | \$ 1.72 | \$ 0.06 | \$ 0.16 | \$ 0.31 | \$ 3.44 | \$ 0.06 | \$ 10.14 | \$ 8.00 |
| Capsule | N/A | 0.039 | \$ 2.00 to \$0.00 | 9.80% | \$ 1.00 | \$ 3.44 \$ 1.24 | \$ 0.12 \$ 0.04 | \$ 0.31 \$ 0.11 | \$ 0.42 \$ 0.22 | \$ 4.68 \$ 2.48 | \$ 0.08 \$ 0.04 | \$ 8.32 \$ 10.67 | \$ 6.00 \$ 9.30 |
| ecg | N/A | 0.049 | \$ 2.00 to \$0.00 | 6.90% | \$ 1.00 | \$ 3.66 \$ 1.52 | \$ 0.13 \$ 0.05 | \$ 0.24 \$ 0.10 | \$ 0.33 \$ 0.20 | \$ 5.18 \$ 3.04 | \$ 0.09 \$ 0.05 | \$ 9.17 \$ 10.82 | \$ 7.90 \$ 9.60 |
| Unite | N/A | 0.045 | \$ 2.00 to \$0.00 | 7.70% | \$ 1.00 | \$ 3.56 \$ 1.41 | \$ 0.12 \$ 0.05 | \$ 0.25 \$ 0.10 | \$ 0.35 \$ 0.20 | \$ 4.96 \$ 2.81 | \$ 0.09 \$ 0.05 | \$ 8.95 \$ 10.79 | \$ 7.70 \$ 9.50 |
| Power Net | | 0.049 | \$ 2.50 to \$0.00 | 9.90% | \$ 1.00 | \$ 4.31 | \$ 0.15 | \$ 0.39 | \$ 0.53 | \$ 5.87 | \$ 0.10 | \$ 7.34 | \$ 5.00 |
| Global | N/A | | \$0.00 | | | \$ 1.56 | \$ 0.05 | \$ 0.14 | \$ 0.28 | \$ 3.12 | \$ 0.05 | \$ 10.31 | \$ 8.00 |
| atn | N/A | 0.069 | \$0.00 | 12% | \$ 1.00 | \$ 2.24 | \$ 0.08 | \$ 0.24 | \$ 0.48 | \$ 4.48 | \$ 0.08 | \$ 9.12 | \$ 6.00 |

Attachment 7

The Coalition provides the following data at Attachment 2, page 6, table 1 and ¶ 12:

1. \$0.99 is the average revenue-based long distance USF fee incurred by customers with income levels <\$15,000,
2. 62% of customers with income levels <\$15,000 pay less than \$0.59 per month in revenue-based long distance USF,
3. 20% of users with income levels <\$15,000 would save \$3.08 per month under proposed plan.

Using the above information, it is possible to prove that 62% of customers with income levels <\$15,000 pay an average of <\$0.14 per month in revenue-based long distance USF.

STEP ONE

- A. If 20% would save \$3.08 per month, then, 20% currently pay \$4.08 per month, because, under the proposal, they will be paying at least \$1.00.

$$\$4.08 - \$1.00 = \$3.08$$

With the above information it is possible to ask and answer an important question:

- A. If the highest paying 20% average >\$4.00 and 100% average \$0.99, then, what is the average revenue-based long distance USF fee paid by the lowest 80%?

$$[20(400) + 80(x)] / 100 = 99 \quad \Rightarrow \quad x = \$0.24.$$

I.e., the remaining 80% pay an average \$0.24 per month in revenue-based long distance USF;

STEP TWO

Consider 100 low-income customers. We know three things about these customers:

1. If 20 of 100 pay >\$4.00 per month in revenue-based long distance USF, and
2. If 62 of 100 pay <\$0.59 per month revenue-based long distance USF, then,
3. 18 of 100 pay between \$4.00 and \$0.59 (100-20-62=18)

Given x (\$0.24), above, there is enough information to calculate the maximum average revenue-based long distance USF fee paid by the 62 customers who pay <\$0.59.

As above: If the highest paying 18 average from \$4.00 to \$0.59, and the entire group (of 80) averages \$0.24, then, what is the maximum average revenue-based long distance USF fee paid by the lowest paying 62?

(Notably, although the 18 pay anywhere from \$4.00 to \$0.59 per month, the less they pay, the more the 62 pay, because the average (\$0.24) must remain fixed. Consequently, in order to maximize the amount paid by the 62, it is necessary to minimize the amount paid by the 18; e.g., assume the 18 that pay from \$4.00 to \$0.59 each pay the minimum, i.e., \$0.59.)

$$[18(59) + 62(x)] / 80 = 24 \quad \Rightarrow \quad x = \$0.14$$

CERTIFICATE OF SERVICE

I, Raleigh Rogers, hereby certify that I have on this Thirteenth day of May, 2002, sent by U.S. Mail, postage prepaid, copies of the "Reply Comments of the Consumers Union, the Texas Office of Public Utility Counsel, Consumer Federation of America, Center for Digital Democracy, Edgemont Neighborhood Coalition and Migrant Legal Action Program" to the following:

Sheryl Todd*
Telecommunications Access Policy Division
Wireline Competition Bureau
Federal Communications Commission
445 Twelfth Street, S.W.
Washington, D.C. 20554

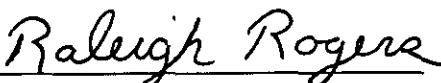
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Raleigh Rogers

* Hand Delivery